

VZCZCXRO0435
RR RUEHAT
DE RUEHTC #0044/01 0200936
ZNR UUUUU ZZH
R 200936Z JAN 09
FM AMEMBASSY THE HAGUE
TO RUEHC/SECSTATE WASHDC 2432
INFO RUEHRL/AMEMBASSY BERLIN 1782
RUEHSH/AMEMBASSY BERN 4129
RUEHBR/AMEMBASSY BRASILIA 0476
RUEHSL/AMEMBASSY BRATISLAVA 0212
RUEHB/S/AMEMBASSY BRUSSELS 9584
RUEHBM/AMEMBASSY BUCHAREST 1177
RUEHUP/AMEMBASSY BUDAPEST 0190
RUEHBU/AMEMBASSY BUENOS AIRES 0192
RUEHHE/AMEMBASSY HELSINKI 1891
RUEHKV/AMEMBASSY KYIV 0457
RUEHLJ/AMEMBASSY LJUBLJANA 0264
RUEHLO/AMEMBASSY LONDON 1798
RUEHMD/AMEMBASSY MADRID 5092
RUEHME/AMEMBASSY MEXICO 0306
RUEHPG/AMEMBASSY PRAGUE 1135
RUEHRO/AMEMBASSY ROME 2377
RUEHSF/AMEMBASSY SOFIA 0475
RUEHSM/AMEMBASSY STOCKHOLM 4726
RUEHVL/AMEMBASSY VILNIUS 0190
RUEHYE/AMEMBASSY YEREVAN 0038
RUEHAT/AMCONSUL AMSTERDAM 4103
RHEBAAA/DEPT OF ENERGY WASHDC
RUCPDOC/DEPT OF COMMERCE WASHDC
RUEHUNV/USMISSION UNVIE VIENNA 0172

UNCLAS SECTION 01 OF 04 THE HAGUE 000044

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [ENRG](#) [TRGY](#) [BEXP](#) [BTIO](#) [NL](#)
SUBJECT: NETHERLANDS: NUCLEAR ENERGY EXPANSION NOT IMMINENT

REF: STATE 127468

SENSITIVE BUT UNCLASSIFIED; PLEASE PROTECT ACCORDINGLY.

¶11. (SBU) SUMMARY: The Netherlands will not lead a European "nuclear renaissance." If Europe's commitment to nuclear power takes off, the Dutch will eventually follow. There is a growing consensus that the Netherlands cannot achieve its ambitious greenhouse gas (GHG) emission reduction targets without expanding its nuclear power production. However, key political leaders remain categorically opposed to nuclear power. If the Netherlands does expand its nuclear sector, construction will not commence before 2012 even under industry's most optimistic scenario. Although the Netherlands lags behind much of Europe in its civil nuclear power program, it remains an important location for nuclear energy research. END SUMMARY.

Overview of Dutch Civil Nuclear Power Program

¶12. (U) The Netherlands currently has one operating nuclear power plant -- the 485 megawatt (MW) Borssele facility. Borssele supplies approximately 3 percent of Dutch annual electricity consumption. In addition, the Netherlands imports a further 5 percent of its annual electricity consumption from Belgian and French nuclear producers. Borssele entered service in 1973 with its Siemens/Kraftwerk Union (KWU) reactor. Borssele's owner/operator is Electricity Generating Company for the Southern Netherlands (Dutch acronym EPZ), a 50/50 joint venture of Dutch utilities Essent and Delta. (Note: Essent agreed January 12 to sell its energy generation and supply operations -- including its Borssele stake -- to German utility RWE for 9.3 billion Euros (USD 12.4 billion); the deal is expected to close in the third quarter of 2009. End note.) Borssele's original

decommission date was 2004, but Essent and Delta reached an agreement with the Dutch Government in 2006 to allow the plant to continue operating until 2033.

¶13. (U) Upon taking office in February 2007, the current Dutch government coalition, led by Prime Minister Jan Peter Balkenende of the Christian Democratic Appeal (CDA) party, agreed that no new nuclear power plant would be built during its term -- that is, until 2011 at the latest. This compromise was struck between the CDA, which generally favors the expansion of nuclear power, and its coalition partners Labor Party (PvdA) and Christian Union (CU), which oppose it.

Industry Pushing to Build 2nd Nuclear Power Plant

¶14. (SBU) The coalition agreement notwithstanding, EPZ is restless to move ahead with its strategy to expand nuclear energy in the Netherlands. Delta announced in September 2008 that it was starting the environmental assessment process to construct a second nuclear power plant at the Borssele location. Delta estimated that permits and licenses would take at least three and a half years, and construction would take four and a half years. Therefore, the earliest that a new power plant could be operational is the end of 2016. EPZ's action is consistent with the coalition agreement -- licensing can occur on this government's watch, but the long lead time ensures no construction would commence until 2012

THE HAGUE 00000044 002 OF 004

at the earliest. During a December 2008 seminar ("A nuclear renaissance in the European Union?") at a think tank in The Hague, Delta CEO Peter Boerma said "this government will take steps for the next government to decide." EPZ has also emphasized that planning must begin now if the Netherlands is to bring new nuclear power on-line in time to help achieve its GHG reduction targets by 2020.

¶15. (U) EPZ has not made any formal decision regarding the new plant's supplier, capacity, or cost. Estimates range from 1000 to 1600 MW and from 3 to 5 billion Euros. EPZ maintains that the Borssele site is suitable for up to 5000 MW and would like to see two to four new power plants there in the long-term. The location has plentiful seawater for cooling (so no cooling towers needed), supportive municipal shareholders and local community, and proximity to the existing interim nuclear waste storage facility (see para 12).

¶16. (U) The motivations for Dutch interest in expanding nuclear power are threefold:

-- Energy Security: Almost 60 percent of Dutch electricity production is gas-fired. The Netherlands is a net exporter of natural gas, a situation that will reverse drastically over the next 20 years as domestic reserves are depleted. The Dutch realize the need to diversify their electricity production away from gas.

-- Environmental: After rejecting nuclear power in the wake of Chernobyl, the Dutch public and decision-makers are reconsidering this position in light of their climate change priorities. The Netherlands wants to reduce its GHG emissions 20 to 30 percent by 2020. There is a growing consensus that nuclear energy must play a role in achieving this goal.

-- Competitiveness: To remain competitive with European neighbors on electricity costs, the Netherlands' fuel mix should gradually converge with them. Some observers have estimated this will require nuclear to supply 20 percent of Dutch power demand.

Other Civil Nuclear Activities in the Netherlands

¶7. (U) The Netherlands is also home to a 45 MW nuclear research high flux reactor (HFR) in Petten. This reactor is owned by the European Commission and operated by the Nuclear Research and Consulting Group (NRG), staffed by about 350 Dutch and international researchers. As a by-product of its research function, the Petten HFR is a major producer of isotopes for medical applications (supplying approximately 70 percent share of the European market and 30 percent of the world market). Research projects at Petten include: reducing the lifetime of radioactive waste; "very high temperature reactors" for hydrogen production; fast, gas-cooled reactors; Qreactors" for hydrogen production; fast, gas-cooled reactors; and materials testing. The reactor is almost 50 years old, and work is underway to develop a new HFR.

¶8. (U) Urenco Nederland B.V., a subsidiary of multinational Urenco Ltd, provides uranium enrichment services. Urenco Nederland's high-speed centrifuge facility in Almelo is an important international supplier of enriched uranium for power plants.

THE HAGUE 00000044 003 OF 004

Regulatory, Financial, Legal Considerations

¶9. (SBU) Financing for nuclear expansion will have to come from private sources. During the December 2008 nuclear energy seminar, Delta CEO Boerma said a new nuclear power plant at Borssele could be funded via the utility operations of EPZ's joint owners, the capital markets, and "money from Gulf investors." He did not elaborate on the latter. The Dutch government, a strong voice within the EU for energy market deregulation and the dismantling of national energy champions, is unlikely to provide direct financial support for nuclear power expansion. Areva Senior Vice President Jean-Paul Poncelet, who also spoke at the seminar, agreed that the pivotal challenge was to convince deregulated utilities (like Essent and Delta) they could invest in new nuclear power plants without public money. (Note: The presentations given by Boerma and Poncelet are available on the Internet at <http://www.clingendael.nl/ciep/events/20081204/>. End note.)

¶10. (U) Nuclear regulatory authority is not centralized in the Netherlands. The Environment Ministry (VROM) has lead responsibility for licensing nuclear installations and activities, in conjunction with the Economic Affairs Ministry (EZ) and the Social Affairs Ministry (SZW). Other ministries are consulted on specific issues related to nuclear activities, such as health and water. This decentralization is exacerbated by stark political differences at the leadership level -- VROM's Minister Jacqueline Cramer is a PvdA stalwart and a vocal opponent of nuclear power, while EZ's Minister Maria van der Hoeven of the CDA supports nuclear expansion. The Department of Nuclear Safety, Security and Safeguards (KFD) is an independent body within VROM responsible for the safety of nuclear facilities as well as the storage and transport of nuclear materials. KFD has approximately 22 employees, about half of whom supervise Borssele. There are no plans to expand KFD at this time.

¶11. (U) The Netherlands, in addition to being party to the Paris Convention on nuclear liability, has its own Nuclear Incidents (Third Party Liability) Act of 1979. Major elements of the law include:

-- In the case of an accident, the nuclear operator's maximum liability is 340 million Euros.

-- The operator is not exonerated from paying compensation for damage caused by an incident due directly to a grave natural disaster.

-- If, in the opinion of the Minister of Finance, an operator of a nuclear installation cannot obtain the financial security required by the Paris Convention or if such financial security is only available at unreasonable cost, financial security is only available at unreasonable cost, the minister may enter into contracts on behalf of the state as insurer or provide other state guarantees up to the operator's liability limit.

-- The time limit for submission of claims resulting from personal injury is thirty years from the date of the accident; for other types of damage, this limit for submission is ten years.

¶12. (U) All nuclear waste produced in the Netherlands is kept

THE HAGUE 00000044 004 OF 004

in vitrified form at an above-ground storage facility adjacent to the Borssele power plant. This "temporary storage" is for at least 100 years, at which time "final storage" can begin. The Central Organization for Radioactive Waste (COVRA) is the single government entity entrusted with responsibility for radioactive waste. COVRA operates under the "supplier pays" principle where the nuclear operator pays the costs up front. For a nuclear power plant, this would be about 100 million Euros for an operational period of 40 years.

Industrial and Competition Issues

¶13. (SBU) Post believes the Netherlands does not have the capability to design and build a new nuclear plant on its own. The domestic manufacturing base has had little incentive to focus on the nuclear sector since Chernobyl. In theory, the skilled Dutch engineering and construction workforce could be redirected to the civil nuclear industry, but there is no program in place to do so. During the September 2008 visit of Chairman Dale Klein of the U.S. Nuclear Regulatory Commission, KFD told him that attracting adequate staff for the nuclear industry was a constant challenge in the Netherlands. KFD has identified the threat that the organization's nuclear expertise will fall in the near-term due to an aging workforce.

¶14. (SBU) Post is not aware of any imminent nuclear-related tenders. However, Delta CEO Boerma said he expects "a maximum of three will go through a tender process" if a second EPZ power plant at Borssele moves ahead. He added that Areva's EPR and Westinghouse's AP-1000 are the only current "third generation" reactors "accessible" for EPZ -- implying these were both operationally satisfactory to EPZ's owners and acceptable to Dutch regulators from a safety point of view. Areva would certainly like the Netherlands to be part of its European "home market" but post believes safety and commercial considerations will drive EPZ's and the Dutch government's decisions. There is no reason to suspect political considerations would sway the choice of reactor supplier.

¶15. (SBU) Any future expansion of the Netherlands' civil nuclear sector will offer subcontracting opportunities for U.S. firms, particularly in engineering and construction. To remain competitive with Areva and other European suppliers, U.S. firms should start now to reestablish links with Dutch energy companies and government stakeholders.

FOSTER